

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

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SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Officials
June 30, 2013

Member

Frank Waters, **Chairperson**
Dave Jones, **Treasurer**

Cara Morgan
Brian Kingsolver

Gaylord Pitt
Sherman Struble, **Secretary**

Richard Crouch

Donna Robinson
Brad Wright

Jim Richardson
Byron Harris

Lynn Grobe

Terry Arentson
Charles Parkhurst

Mike Kolbe, **Vice-Chairperson**
Dorothy Duran
Clint Fichter

Representing

Cass County
Cass County

Fremont County
Fremont County

Harrison County
Harrison County

Mills County

Montgomery County
Montgomery County

Page County
Page County

Pottawattamie County

Shelby County
Shelby County

Economic Development
Education
Government

Executive Director

John McCurdy (began April, 2013)

Jeremy Middents (interim October, 2012 - March, 2013)

Eric Weinkoetz (resigned October, 2012)

Finance Director

Crystal Cappel

Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency
Atlantic, Iowa

Report on the Financial Statements

We have audited the accompanying statements of net position of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency as of June 30, 2013 and 2012 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The financial statements do not include an estimate of an Other Post Employment Benefits (OPEB) liability for an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring after age 55 to remain on the Organization's healthcare plan until age 65. Accounting principles generally accepted in the United States of America require that any material liability resulting from this OPEB requirement be included in the financial statements (Note H).

Qualified Opinion

In our opinion, except for the effect of not including an estimated OPEB liability for the implicit health insurance premium rate subsidy referred to in the previous paragraph, the financial statements referred to above present fairly in all material respects, the financial position of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency as of June 30, 2013 and 2012 and the results of its operations, changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 3 through 3c be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

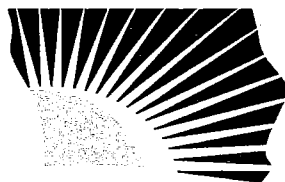
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, basic financial statements. The supplementary information on pages 1 and 17 through 19, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2013 on our consideration of Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Domenick, Bill, Hughes - W. P. C.
Atlantic, Iowa
October 14, 2013



A Bright Look Ahead™

**SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Southwest Iowa Planning Council, including Southwest Iowa Transit Agency (SWIPCO) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with SWIPCO's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- SWIPCO's operating revenues decreased 6%, or \$ 204,325, from fiscal 2012 to fiscal 2013. Federal and state funds decreased due to fewer funds for individuals and businesses impacted by the floods of 2008.
- SWIPCO's operating expenses were almost 6%, or \$216,965 less in fiscal 2013 than in fiscal 2012 due mainly to decreased expenses for flood programs and a prolonged period without an executive director on the payroll.
- SWIPCO's net position increased 7%, or \$285,918, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

Southwest Iowa Planning Council, including Southwest Iowa Transit Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to SWIPCO's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statement and provides an analytical overview of SWIPCO's financial activities.

The Statement of Net Position presents information on SWIPCO's assets, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SWIPCO is improving or deteriorating.

The statement of Support, Revenues, Expenses, and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses, and whether SWIPCO's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in SWIPCO's cash and cash equivalents during the year. This information can assist the user of the report in determining how SWIPCO financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary information provides detailed information about the revenues, expenses, and changes in net position, in addition to providing detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of SWIPCO's financial position. SWIPCO's net position at the end of fiscal 2013 totaled approximately \$ 4,588,589, this compares to approximately \$4,302,671 at the end of fiscal 2012. A summary of SWIPCO's net position is presented below.

	Net Position		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 2,031,412	\$ 1,667,277	\$ 1,847,131
Designated and Restricted Assets	921,597	892,993	771,287
Capital Assets	<u>2,120,649</u>	<u>1,934,628</u>	<u>2,030,827</u>
Total Assets	<u>\$ 5,073,658</u>	<u>\$ 4,494,898</u>	<u>\$ 4,649,245</u>
Current Liabilities	\$ 468,108	\$ 156,364	\$ 316,671
Deferred Inflows of Resources	16,961	35,863	53,748
Net Position	<u>4,588,589</u>	<u>4,302,671</u>	<u>4,278,826</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 5,073,658</u>	<u>\$ 4,494,898</u>	<u>\$ 4,649,245</u>

Statement of Support, Revenues, Expenses, and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. Operating expenses are to operate the transit system and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of support, revenues, expenses, and changes in net position for the years ended June 30, 2013, 2012, and 2011 are presented below:

	Changes in Net Position		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Public Support and Revenues:			
Public Support	\$ 2,568,783	\$ 2,790,553	\$ 2,435,870
Revenues	<u>640,202</u>	<u>622,757</u>	<u>933,622</u>
Total Operating Revenue	3,208,985	3,413,310	3,369,492
Operating Expenses	<u>3,457,353</u>	<u>3,674,318</u>	<u>3,377,932</u>
Operating Loss	(248,368)	(261,008)	(8,440)
Non-Operating Revenue:			
Interest Income	1,326	283	979
Capital Grants	512,514	278,336	481,712
Gain on Sale of Assets	<u>20,446</u>	<u>6,234</u>	<u>--</u>
	<u>534,286</u>	<u>284,853</u>	<u>482,691</u>
Excess of Support and Revenue Over Expenses and Increase in Net Position	285,918	23,845	474,251
Net Position Beginning of Year	<u>4,302,671</u>	<u>4,278,826</u>	<u>3,804,575</u>
Net Position End of Year	<u>\$ 4,588,589</u>	<u>\$ 4,302,671</u>	<u>\$ 4,278,826</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in the net position at the end of the fiscal year.

- Net position for the year increased \$285,918.
- SWIPCO's operating expenses (without depreciation) were \$ 2,953,326 and operating revenues were \$3,208,985. With depreciation, the total expenses were \$3,457,353 and operating revenues remained at \$3,208,985.
- State funds and federal funds for the year totaled \$2,417,458. These same funding sources for the previous fiscal year totaled \$2,639,228. These same funding sources are projected to remain in 2014 at roughly equivalent levels to fiscal 2013, except as discussed in Note K to the financial statements.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital related financing, capital and related financing and investing activities. Cash provided by the operating activities includes federal and state support, program reimbursements, and other revenue, reduced by payments to employees and to suppliers. Cash used by noncapital related financing activities includes principal payment and proceeds. Cash used by capital and related financing activities includes capital grants, sale of assets, and purchase of capital assets. Cash provided by investing activities includes interest income and changes in designated and restricted assets.

CAPITAL ASSETS

At June 30, 2013, SWIPCO had \$5,500,179 invested in capital assets, net of accumulated depreciation of \$3,434,505. Depreciation expense totaled \$504,027 for fiscal year 2013. More detailed information about SWIPCO's capital assets is presented in Note E to the financial statements.

ECONOMIC FACTORS

Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2014 budget and fees that will be charged for agency activities. SWIPCO's general operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year.

CONTACTING SWIPCO'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of SWIPCO's finances and to show SWIPCO's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Southwest Iowa Planning Council, 1501 SW 7th St., Atlantic, IA 50022.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Net Position
June 30,

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash	\$ 981,429	\$ 606,411
Accounts receivable	708,824	864,202
Prepaid expenses	192,243	196,664
Due from Housing Trust Fund	148,916	--
Total current assets	<u>2,031,412</u>	<u>1,667,277</u>
Designated and Restricted Assets:		
Internally designated assets	372,597	458,993
Restricted assets	549,000	434,000
	<u>921,597</u>	<u>892,993</u>
Capital Assets:		
Depreciable capital assets, net	2,065,674	1,879,653
Non-depreciable capital assets	54,975	54,975
	<u>2,120,649</u>	<u>1,934,628</u>
Total assets	<u>\$ 5,073,658</u>	<u>\$ 4,494,898</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current Liabilities:		
Accounts payable	\$ 350,180	\$ 88,561
Accrued employee compensation	117,928	67,803
Total current liabilities	<u>468,108</u>	<u>156,364</u>
Deferred Inflows of Resources:		
Deferred grant revenue	16,961	35,863
Net Position:		
Invested in capital assets, net of related debt	2,120,649	1,934,628
Restricted - expendable	549,000	434,000
Unrestricted	1,918,940	1,934,043
Total net position	<u>4,588,589</u>	<u>4,302,671</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,073,658</u>	<u>\$ 4,494,898</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Support, Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Public Support and Revenues:		
Public support	\$ 2,568,783	\$ 2,790,553
Revenues	<u>640,202</u>	<u>622,757</u>
	3,208,985	3,413,310
Expenses:		
Salaries	1,428,064	1,511,814
Bad debts	609	245
Depreciation	504,027	449,608
Employee benefits	219,243	280,211
Grant administration	42,136	63,506
HLSEM expense	4,668	98,121
Insurance	202,673	231,977
Interest expense	--	3,035
Lubricants and fuel	564,917	539,346
Payroll taxes	116,047	131,552
Postage	1,111	1,920
Purchased transportation	95,084	103,502
Repairs and maintenance	132,425	116,036
Space costs	40,297	42,321
Transit operations	<u>106,052</u>	<u>101,124</u>
	3,457,353	3,674,318
Loss from Operations	(248,368)	(261,008)
Non-Operating Revenue:		
Interest income	1,326	283
Capital grants	512,514	278,336
Gain on sale of assets	<u>20,446</u>	<u>6,234</u>
	534,286	284,853
Excess of Support and Revenues Over Expenses and Increase in Net Position	285,918	23,845
Net Position Beginning of Year	<u>4,302,671</u>	<u>4,278,826</u>
Net Position End of Year	<u>\$ 4,588,589</u>	<u>\$ 4,302,671</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Cash Flows
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers and agencies	\$ 3,344,852	\$ 3,105,210
Cash paid to suppliers	(1,258,613)	(1,743,582)
Cash paid to employees	(1,377,939)	(1,533,774)
Net cash provided by (used in) operating activities	708,300	(172,146)
Cash flows from noncapital related financing activities:		
Proceeds from note payable	--	263,348
Principal paid on note payable	--	(346,510)
Advances to Housing Trust Fund	(345,977)	--
Repayments from Housing Trust Fund	197,061	--
Interest paid	--	(3,035)
Net cash used in noncapital related financing activities	(148,916)	(86,197)
Cash flows from capital and related financing activities:		
Capital expenditures	(690,048)	(354,675)
Proceeds from capital grants	512,514	278,336
Proceeds from sale of assets	20,446	7,500
Net cash used in capital and related financing activities	(157,088)	(68,839)
Cash flows from investing activities:		
Change in designated and restricted assets	(59,450)	(43,177)
Interest received	1,326	283
Net cash used in investing activities	(58,124)	(42,894)
Net increase (decrease) in cash	344,172	(370,076)
Cash at beginning of year	<u>1,163,539</u>	<u>1,533,615</u>
Cash at end of year	<u>\$ 1,507,711</u>	<u>\$ 1,163,539</u>
Reconciliation of cash to the statements of net position:		
Cash in current assets	\$ 981,429	\$ 606,411
Cash in designated and restricted assets	<u>526,282</u>	<u>557,128</u>
Total cash at end of year	<u>\$ 1,507,711</u>	<u>\$ 1,163,539</u>

(continued next page)

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$(248,368)	\$(261,008)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	504,027	449,608
Bad debts	609	245
Interest expense	--	3,035
Change in assets and liabilities		
Accounts receivable	154,769	(290,215)
Prepaid expenses	4,421	21,219
Accounts payable, trade	261,619	(55,185)
Accrued employee compensation	50,125	(21,960)
Deferred grant revenue	(18,902)	(17,885)
Total adjustments	<u>956,668</u>	<u>88,862</u>
Net cash provided by (used in) operating activities	<u>\$ 708,300</u>	<u>\$(172,146)</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Reporting Entity

Southwest Iowa Planning Council is a voluntary organization formed by the representatives of Harrison, Shelby, Cass, Fremont, Pottawattamie, Mills, Montgomery and Page counties in accordance with Chapter 28E of the Code of Iowa. The purpose of the Organization is to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplications, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area. The Organization is governed by a seventeen member council appointed for one year terms. Southwest Iowa Transit Agency was formed to administer the transit services for District 13. The Transit Agency is not a separate and distinct entity from the Planning Council. As a combined group of political subdivisions, the Organization is exempt from income taxes.

The Organization has considered all potential component units for which it is financially accountable, and other entities for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an entity's governing body, and (a) the Organization's ability to impose its will on that entity, or (b) the potential for the entity to provide benefits to or impose financial burdens on the Organization. The Organization has no component units.

2. Enterprise Fund Accounting

The Organization uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

4. Accounts Receivable and Loans Receivable

The Organization considers accounts receivable and loans receivable (included in restricted assets on the balance sheets) to be fully collectible, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

5. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

6. Capital Assets

The Organization's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of four years and cost in excess of \$2,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (ten to forty years for buildings and land improvements and five to ten years for equipment). Capital assets and depreciation expense were not recorded by the Organization prior to 1985.

7. Compensated Absences

Full-time employees of the Organization earn paid time off hours at varying rates depending on years of service, up to a maximum of 144 hours per year. Paid time off up to a maximum of 80 hours may be carried over to the subsequent calendar year. Any excess over 80 hours accumulated by January 1 of each year is lost. The computed amount of paid time off earned by year end is recorded as part of accrued employee compensation.

8. Grant Revenue

Grant proceeds for operating activities are recorded in income as they are earned and are reported as a part of transit and planning council support and revenues. Capital grants are recorded as non-operating revenue. Grant proceeds received but not expended are shown as a deferred revenue on the balance sheet.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

9. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

10. Net Position

Net position of the Organization is classified in three components. *Invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* consists of noncapital assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Organization. *Unrestricted net position* consists of the remaining net position that does not meet the definition of *invested in capital assets net of related debt or restricted*.

11. Accounting Changes

In June, 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*." This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities. This statement is effective for the Organization for 2012-2013. The Organization has assessed the financial statement impact of adopting this statement and its impact is not material.

The GASB has issued GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*" and GASB Statement No. 66 "*Technical Corrections - 2012*." No. 65 specifies proper accounting treatment for certain items and helps clarify the items that should be included under the categories established under Statement No. 63. No. 66 resolves conflicting guidance that resulted from previously issued Statements No. 54 and No. 62. The Organization has elected to early implement these Statements, which are required to be implemented in the 2013-14 year. The Organization has assessed the financial statement impact of adopting these statements and concluded their impact is not material.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2013 and 2012

NOTE B - RESTRICTED NET POSITION

Restricted expendable assets are available for the following purpose:

	<u>2013</u>	<u>2012</u>
Revolving loan fund	\$ <u>549,000</u>	\$ <u>434,000</u>

The Organization has no restricted nonexpendable assets or endowments at June 30, 2013 or 2012.

Following is a summary of the use of temporarily restricted assets during the year ended June 30:

	<u>2013</u>	<u>2012</u>
Purchase of capital assets	\$ <u>512,514</u>	\$ <u>278,336</u>

NOTE C - DESIGNATED ASSETS

Of the \$1,918,940 (\$1,934,043 as of June 30, 2012) of unrestricted net position as of June 30, 2013, \$372,597 (\$458,993 for 2012) has been designated by the Organization's Policy Council for capital acquisitions. These assets remain under the control of the Policy Council, which may, at its discretion, later use the funds for other purposes.

NOTE D - DEPOSITS

The Organization's deposits at June 30, 2013 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Organization is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Policy Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2013 and 2012

NOTE D - DEPOSITS - Continued

The composition of internally designated assets, which consists entirely of cash, is as follows:

	<u>2013</u>	<u>2012</u>
Internally Designated Assets:		
SWIPCO:		
Vehicle replacement	\$ 24,782	\$ 53,713
SWITA:		
Vehicle replacement	<u>347,815</u>	<u>405,280</u>
	<u>\$ 372,597</u>	<u>\$ 458,993</u>

The composition of restricted assets is as follows:

	<u>2013</u>	<u>2012</u>
Restricted Assets:		
Cash	\$ 153,685	\$ 98,135
Loans receivable	<u>395,315</u>	<u>335,865</u>
	<u>\$ 549,000</u>	<u>\$ 434,000</u>

NOTE E - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2013 and 2012 were as follows:

<u>Cost</u>	<u>Balance 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2013</u>
Land Improvements	\$ 169,146	\$ --	\$ --	\$ 169,146
Buildings	1,076,506	--	--	1,076,506
Equipment	396,614	--	--	396,614
Vehicles	<u>3,187,707</u>	<u>690,048</u>	<u>19,842</u>	<u>3,857,913</u>
	4,829,973	690,048	19,842	5,500,179
<u>Depreciation</u>				
Land Improvements	88,089	20,003	--	108,092
Buildings	149,815	27,145	--	176,960
Equipment	313,489	29,465	--	342,954
Vehicles	<u>2,398,927</u>	<u>427,414</u>	<u>19,842</u>	<u>2,806,499</u>
Total Depreciation	<u>2,950,320</u>	<u>504,027</u>	<u>19,842</u>	<u>3,434,505</u>
Depreciable Capital Assets, Net	<u>\$ 1,879,653</u>	<u>\$ 186,021</u>	<u>\$ --</u>	<u>\$ 2,065,674</u>
Non-Depreciable Capital Assets:				
Land	<u>\$ 54,975</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 54,975</u>

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2013 and 2012

NOTE E - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2012</u>
Land Improvements	\$ 169,146	\$ --	\$ --	\$ 169,146
Buildings	1,076,506	--	--	1,076,506
Equipment	472,063	28,110	103,559	396,614
Vehicles	<u>2,916,702</u>	<u>326,565</u>	<u>55,560</u>	<u>3,187,707</u>
	4,634,417	354,675	159,119	4,829,973
<u>Depreciation</u>				
Land Improvements	68,087	20,002	--	88,089
Buildings	122,670	27,145	--	149,815
Equipment	386,718	30,330	103,559	313,489
Vehicles	<u>2,081,090</u>	<u>372,131</u>	<u>54,294</u>	<u>2,398,927</u>
Total Depreciation	<u>2,658,565</u>	<u>449,608</u>	<u>157,853</u>	<u>2,950,320</u>
Depreciable Capital Assets, Net	<u>\$ 1,975,852</u>	<u>\$ (94,933)</u>	<u>\$ 1,266</u>	<u>\$ 1,879,653</u>
Non-Depreciable Capital Assets:				
Land	<u>\$ 54,975</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 54,975</u>

NOTE F - NOTE PAYABLE

The Organization entered into an unsecured revolving note with a local bank for operating funding, that matured on January 1, 2012. The maximum amount available through January 1, 2012 was \$500,000. The note called for periodic payments with interest at 4.0%.

A schedule of changes in the Organization's note payable for the year ended June 30, 2013 and 2012 follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2013</u>
Line of Credit	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
	<u>Balance 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2012</u>
Line of Credit	<u>\$ 83,162</u>	<u>\$ 263,348</u>	<u>\$ 346,510</u>	<u>\$ --</u>

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2013 and 2012

NOTE G - PENSION AND RETIREMENT BENEFITS

The Organization contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% (5.95% beginning July 1, 2013) of their annual salary and the Organization is required to contribute 8.67% (8.93% beginning July 1, 2013) of annual covered payroll. Contribution requirements are established by State statute. The Organization's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were approximately \$117,800, \$125,300, and \$95,200, respectively, equal to the required contributions for each year.

NOTE H - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the Organization offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Organization employees, and the retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are 16 active employees and no retirees currently covered by the plan.

Funding Policy: The Organization does not set aside funds to pay for any OPEB liability. Any Organization costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

Net OPEB Obligation: Management of the Organization considers any OPEB obligation, which may exist, to be immaterial. Therefore the Organization has elected to not obtain an actuarial evaluation of the OPEB liability.

Generally accepted accounting principles, established under GASB Statement No. 45, require that an actuarial or alternative computation of a liability be completed. The independent auditor's report regarding the financial statements has been qualified as a result of not obtaining the required evaluation and not recording any potential material OPEB liability.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2013 and 2012

NOTE I - RELATED ORGANIZATION

The Organization provides administrative support to Southwest Iowa Housing Trust Fund (SIHTF). Support provided includes contracting administrative personnel to SIHTF, collecting revenue and paying expenses of SIHTF, and maintaining the accounting records for SIHTF. Below is a list of amounts due to or from SIHTF at year end, and the transactions between SIHTF and the Organization during the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Due from SIHTF at year end	\$ <u>148,916</u>	\$ <u>--</u>
Interest paid to the Organization by SIHTF	\$ <u>1,211</u>	\$ <u>--</u>
Revenues collected for SIHTF by the Organization	\$ <u>1,293,613</u>	\$ <u>611,794</u>
Expenses paid for SIHTF by the Organization	\$ <u>1,170,611</u>	\$ <u>575,783</u>

NOTE J - COMMITMENTS AND CONTINGENCIES

Risk Management

The Organization is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

Subsequent Events

The Organization has evaluated all subsequent events through October 14, 2013, the date the financial statements were available to be issued.

NOTE K- ECONOMIC DEPENDENCY

The Organization received approximately 33% of its total support and revenue through its contract with the Iowa and Federal Departments of Transportation for the year ended June 30, 2013 (28% for 2012). The Organization's contract with the Iowa Department of Transportation has been renewed with a 23% increase for fiscal year ending June 30, 2014. The Organization's contract with the Federal Department of Transportation has been renewed with a 61% increase for fiscal year ending June 30, 2014.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2013 and 2012

NOTE L - CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its clients, most of whom are area businesses and local governments. The mix of receivables at June 30, 2013 and 2012, was as follows:

	<u>2013</u>	<u>2012</u>
Local governments	86%	87%
Area businesses	13	12
Individuals	<u>1</u>	<u>1</u>
	<u>100%</u>	<u>100%</u>

NOTE M - BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are not reported as Required Supplementary Information. As there is no legal requirement to adopt a budget, GASB 34 does not require this disclosure.

* * *

SUPPLEMENTARY INFORMATION

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant or Number</u>
U.S. Department of Commerce		
Direct Programs		
Support for Planning Organizations	11.302	05-83-04987-02
Economic Adjustment Grant to Establish a Revolving Loan Fund	11.307	05-79-04727
Total U.S. Department of Commerce		
U.S. Department of Transportation		
Indirect Programs		
Iowa Department of Transportation		
SFY 2013 Transportation Planning Work Program	20.205	13RPA-13
Capital Investment Assistance Project	20.500	04-0117-130-11
Capital Investment Assistance Project	20.500	04-0117-130-12
Non-Urban Operating Assistance Project	20.509	18-0030-130-12
Non-Urban Operating Assistance Project	20.509	18-0030-130-13
SFY 2013 Transportation Planning Work Program	20.509	13RPA-13
Training Fellowship	20.509	TF-13-117
Job Access/Reverse Commute Project	20.516	37-X016-130-12
Job Access/Reverse Commute Project	20.516	37-X023-130-13
New Freedom Operating Assistance Project	20.521	57-X008-130-12
New Freedom Operating Assistance Project	20.521	57-X008-130-13
Total U.S. Department of Transportation		
U.S. Department of Homeland Security & Emergency Management		
Indirect Program		
Iowa Department of Homeland Security & Emergency Management		
Homeland Security Grant Program	97.067	2009 SS-T9-0034-04
Total U.S. Department of Homeland Security & Emergency Management		

Total Expenditures of Federal Awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See accompanying independent auditor's report.

<u>Period of Grant</u>	<u>Federal Expenditures</u>
07/01/12 to 06/30/13	\$ 51,364
01/21/09 to 09/30/14	<u>80,000</u>
	131,364
07/01/12 to 06/30/13	28,471
10/01/10 to 03/31/13	31,854
10/20/11 to 03/31/14	<u>480,660</u>
	512,514
07/01/11 to 06/30/12	9,630
07/01/12 to 06/30/13	579,923
07/01/12 to 06/30/13	40,171
07/01/12 to 06/30/13	<u>695</u>
	630,419
10/01/11 to 09/30/12	566
10/01/12 to 09/30/13	<u>33,029</u>
	33,595
10/01/11 to 09/30/12	3,256
10/01/12 to 09/30/13	<u>10,586</u>
	<u>13,842</u>
	1,218,841
04/30/11 to 04/30/12	<u>3,517</u>
	<u>3,517</u>
	<u>\$ 1,353,722</u>

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedules of Transit Agency Support, Revenues and Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Public Support and Revenues:		
Public support:		
Iowa Department of Transportation	\$ 414,251	\$ 360,971
Other state assistance	1,131,705	1,313,082
Federal Department of Transportation	637,685	588,610
Local assistance	76,000	76,000
	<u>2,259,641</u>	<u>2,338,663</u>
Revenues:		
Fares	440,657	218,361
Other	36,100	35,017
	<u>476,757</u>	<u>253,378</u>
Total public support and revenues	2,736,398	2,592,041
Expenses:		
Salaries	1,167,387	1,155,073
Bad debts	609	245
Depreciation	492,667	440,629
Employee benefits	161,371	181,180
Insurance	198,912	222,908
Lubricants and fuel	564,917	539,346
Payroll taxes	97,823	102,012
Purchased transportation	95,084	103,502
Repairs and maintenance	132,425	116,036
Space costs	30,991	32,436
Transit operations	106,052	101,124
	<u>3,048,238</u>	<u>2,994,491</u>
Loss from Operations	(311,840)	(402,450)
Non-Operating Revenue:		
Interest income	1,301	242
Capital grants	512,514	278,336
Gain on sale of assets	20,446	6,234
	<u>534,261</u>	<u>284,812</u>
Excess of Support and Revenues Over Expenses (Expenses Over Support and Revenues)	<u>\$ 222,421</u>	<u>\$ (117,638)</u>

See accompanying independent auditor's report.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedules of Planning Council Support, Revenues and Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Public Support and Revenues:		
Public support:		
Federal Department of Transportation	\$ 68,642	\$ 68,642
Federal Department of Commerce	131,364	181,000
State Department of Economic Development	30,294	34,294
HLSEM Grant	3,517	92,629
City and county dues	75,325	75,325
	<u>309,142</u>	<u>451,890</u>
Revenues:		
Grant administration	51,575	169,686
Contracts	111,730	199,268
Other	140	425
	<u>163,445</u>	<u>369,379</u>
Total public support and revenues	472,587	821,269
Expenses:		
Salaries	260,677	356,741
Depreciation	11,360	8,979
Employee benefits	57,872	99,031
Grant administration	42,136	63,506
HLSEM expense	4,668	98,121
Insurance	3,761	9,069
Interest expense	--	3,035
Payroll taxes	18,224	29,540
Postage	1,111	1,920
Space costs	9,306	9,885
	<u>409,115</u>	<u>679,827</u>
Income from Operations	63,472	141,442
Non-Operating Revenue:		
Interest income	<u>25</u>	<u>41</u>
Excess of Support and Revenues Over Expenses	<u>\$ 63,497</u>	<u>\$ 141,483</u>

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

We have audited the financial statements of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, as of and for the year ended June 30, 2013, and have issued our report thereon dated October 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Current Audit Findings and Questioned Costs as item 13-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, responses to findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. While we have expressed our conclusion on the Organization's responses, we did not audit the Organization's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Organization's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shorewell, Bell, Kyle - Co. P.C.

Atlantic, Iowa
October 14, 2013

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

Report on Compliance for Major Federal Program

We have audited the Southwest Iowa Planning Council, including Southwest Iowa Transit Agency compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2013. The Organization's major federal program is identified in the summary of the independent auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the Organization's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination on the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Southwest Iowa Planning Council, including Southwest Iowa Transit Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 13-III-A. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ammerahl, Bell, Thyer & W. P. C.

Atlantic, Iowa
October 14, 2013

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2013

Part I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
- A qualified opinion was issued on the financial statements.
- (b) Internal control over financial reporting:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (c) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (d) Internal control over major program:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (e) Type of auditor's report issued on compliance for major program:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? X yes no
- (g) Identification of major program:
- CFDA Number 20.500 - Federal Transit - Capital Investment Grants
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee? X yes no

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2013.

SIGNIFICANT DEFICIENCIES:

13-II-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Organization. This deficiency is common among most smaller organizations.

Recommendation: We recognize that it may not be economically feasible for the Organization to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Council is aware of this lack of segregation of duties and will continue on an ongoing basis to act as an oversight group. The Organization has also made some changes in its procedures to separate the preparation of bank reconciliations, cash receipt and cash depositing/general ledger posting functions to provide a better segregation of duties. The Council has also added steps to its cash disbursements procedures to provide more accountability in the bill approval process.

Conclusion: Response accepted.

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SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2013.

SIGNIFICANT DEFICIENCIES:

CFDA Number 20.500 - Federal Transit - Capital Investment Grants
Pass-through Numbers: 04-0117-130-11, 04-0117-130-12

Federal Award Year: 2013
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

- 13-III-A Segregation of Duties over Federal Revenues and Expenditures - The Organization did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding 13-II-A.

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SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

- 13-IV-A Questionable Expenditures - During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Atlantic Golf and Country Club	Employee recognition banquet	\$ 468

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

- 13-IV-B Travel Expense - No expenditures of Organization money for travel expenses of spouses of Organization officials or employees were noted.
- 13-IV-C Business Transactions - No business transactions between the Organization and Organization officials or employees were noted.
- 13-IV-D Bond Coverage - Surety bond coverage of Organization officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 13-IV-E Board Minutes - No transactions requiring Board approval were noted which had not been approved.
- 13-IV-F Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Organization's investment policy were noted.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting - Continued:

- 13-IV-G State Auditor Special Examination - During the audit, we noted the State Auditor performed a special examination of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency for the period July 1, 2011 through June 30, 2012. The findings from the special examination are listed in a report available on the State Auditor's website.

Recommendation: We recommend the Board review the special examination report and make recommended changes to the Organization's control procedures.

Response: The Board has reviewed the special examination report, and has made changes and improvements to the Organization's policies and procedures.

Conclusion: Response accepted.

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